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SUBJECT: MEDIA REACTION: CAPITALIST DEVELOPMENT, RMB EXCHANGE RATE,  
U.S. POLICY

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Editorial Quotes  
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11. CAPITALIST DEVELOPMENT

"Reflection on capitalism in the international financial crisis"

The official Communist Party People's Daily (Renmin Ribao) (02/09)(pg 23): "The outbreak of the international financial crisis urged many people to reexamine the capitalist's development direction. In the post-crisis era, capitalist society is bound to undergo some new changes. Yoshinobu Onishi, Chairman of Mitsubishi UFJ Research and Consulting Co. Ltd, a major Japanese think tank, said that Japan is also concerned with the prospect of the U.S. dollar. It is still uncertain when where the world's major funding is heading will change. Only if the market and the government each play a balanced role, will the society soundly develop. The United States represents neo-liberalism, which means that they overly rely on the market and curbing the government's role. Obama won the election, indicating that the American people also recognize the danger of liberal economy. After taking office, Obama emphasized social security and the introduction of a medical insurance system, which is also an amendment to excessive neo-liberalism. Francis Fukuyama, author of 'The End of History and the Last Man,' said that after one year of Obama's presidency the post-crisis world hasn't significantly changed. Economic recovery has come too fast, which means that the crisis is not serious enough to make the United States look for long-term resolutions. From a global perspective, the economic crisis has brought a few high lights: although the international financial system's legitimacy was questioned, the system did not collapse. China, India and other countries did not abandon their open market policies, which will help the two emerging economies grow rapidly. Another positive consequence of the crisis is that the role of the Group of 20 becomes better than the Group of 18. This new mechanism enables China, India, Brazil and other emerging countries to have a voice. From a long-term point of view, the issue of American ideology is even more important than the issue of economy. The Americans have become very rigid now and the way they look at the world is based on strong ideological bias. The financial crisis may make the Americans change [reevaluate] certain prejudices, but overall, their mindset will remain the same, which will cause them great trouble. Unless there is a change on this issue, otherwise, the lessons learned in this crisis will be wasted."

12. RMB EXCHANGE RATE

"Calmly dealing with the RMB exchange rate game"

The People's Daily-sponsored and internationally-focused commercial news publication Global Times (Huanqiu Shibao) (02/09)(pg 14): "If the U.S. Department of Finance calls China an 'exchange rate manipulator' in its semi-annual report, once negotiations with China fail, a trade war between the U.S. and China will be triggered. If arms sales to Taiwan are like light machine guns firing, the RMB

exchange rate is more like heavy bombs because it is related to employment and the lives of the people, a substantial livelihood issue. China will be harmed, as if its arm is fractured, if the RMB exchange issue is not well dealt with. Despite some divergences within China, at least there is one common view: the principle of initiative, controllability and the gradual nature, pursued by China on the issue, should not be changed in the short term. We should also make an effort to distinguish what are America's test moves and what are their real intentions. The United States should be clear that any policy related to the RMB exchange rate must be consistent with the pace of development, but not dominated by the U.S.'s club. If a larger scale trade war is triggered, the U.S. will also not benefit. Currently, calmness is needed for both countries. China should tease out China's interest structure and sequence, prioritize them and make a full preparation for competition with the United States."

### 13. U.S. POLICY

"The U.S. has three strategies for maneuvering troops globally"

Elite Reference (Qingnian Cankao), a newspaper affiliated to the official Communist Youth League China Youth Daily (02/09) (pg 06): "A Lieutenant-General of the U.S. Joint Chiefs of Staff recently said at a hearing at the House of Representatives that the U.S. has prepared three combat strategies. The strategies were directly targeted at the top three hot areas: the Korean peninsula, the Taiwan Strait, and the Persian Gulf - taking North Korea, China, and Iran as the assumed enemies. From a number of contents exposed by military media, one can see the clues as to how the U.S. military will deploy forces to deal with the three 'focus areas.' First, the U.S. military will use mechanized infantry division to contain North

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Korea army's attack. As to the possible military conflict on the Korean peninsula or on the Taiwan Strait, U.S. troops in the West Pacific have quite detailed deployments. The U.S. military's pacific headquarter will revise combat plans against China and North Korea every two years. Once any incidents occur in any of these two areas, the U.S. military will come from three directions, Japan, Guam Island and the U.S.'s west coast, for military support. Meanwhile, in the Persian Gulf, the U.S. military has started long before to build military base in the east and west sides of Iran, aiming to contain Iran."

HUNTSMAN